

March 13, 1996

JOINT NEWS RELEASE FROM PSC AND U S WEST

For more information, contact:

Nancy McCaffree, PSC - 444-6165

George Ruff, U S WEST - 441-7700

PSC, U S WEST APPROVE SERVICE QUALITY SETTLEMENT

The state Public Service Commission and U S WEST Communications have both approved the elements of an agreement that will settle the PSC's lawsuit against the company over alleged service quality violations.

The PSC voted 2-1 to accept the settlement agreement today after learning that officials at

U S WEST's headquarters in Denver had signed off on the proposal. PSC members Nancy

McCaffree and Bob Anderson, on behalf of the full commission, had directly negotiated the terms

of the agreement with company representatives led by George Ruff, Montana vice president of

U S WEST.

Commissioners Danny Oberg and Dave Fisher voted for the settlement, while Commissioner Bob Rowe voted against it. McCaffree and Anderson abstained from voting.

According to PSC Chair McCaffree, neither side is completely satisfied with the

agreement. "This is a negotiated settlement with the goal of improved telephone service for

U S WEST customers," McCaffree said. "I believe this settlement will achieve that goal much

better than continued litigation."

The main components of the settlement, which will be implemented in April, are:

- Cellular loaner program for customers whose landline phone installation is delayed because the company lacks facilities to serve them. Under this program, U S WEST will contract with cellular companies in the state to provide cellular phones and service to residential and small business customers who have waited more than seven days for phone installation of a first line. Customers will pay the basic monthly charge for U S WEST service and, in return, will have their regular U S WEST phone number and directory listing and unlimited local calling. Long-distance calls will have to be billed to a calling card. The PSC and U S WEST still must work out details concerning the eligibility of some customers who live outside an exchange's base rate area and are required to pay construction charges because of their location's distance from the nearest phone facilities.

- Service guarantees - If U S WEST misses an installation commitment, the company will automatically credit residential customers \$10 and business customers \$40. If a customer calls U S WEST to report a missed repair commitment, the company will give a \$10 credit to residential

customers and \$40
to business customers.

- Phased-in improvements to U S WEST's installation and out-of-service repair performance. The plan gives U S WEST two years to improve service from present levels to the PSC installation and repair standards. The company will be required to meet increasing service objectives, both on a statewide and individual wire center basis. If U S WEST does not meet the service objectives, the company will pay penalties into a fund administered by the PSC for the purpose of enhancing telecommunications in the company's service territory. Failure to meet quarterly statewide service objectives carries penalties ranging from \$37,250 per quarter to \$100,000, while failure to meet individual wire center objectives more than 6 months out of each 12-month period of the plan could cost the company from \$5,000 to \$15,000 per wire center if service objectives continue to be missed.

The 25 wire centers (out of a total of 72) to which U S WEST currently provides just twice-a-week or three-days-a-week installation and repair service will be excluded from the out-of-service performance measures. However, customers in those towns will receive an automatic credit in the amount of one month's local service if U S WEST does not clear their out-of-service trouble reports in 48 hours.

- Caller ID and related services will be expanded to 20 more wire centers in early 1996. The wire centers are: Anaconda, Boulder, Canyon Ferry, Clancy, Deer Lodge, Dillon, Opportunity, Townsend, Warm Springs, Whitehall, Wolf Creek, Bridger, Columbus, Fromberg, Hardin, Joliet, Laurel, Park City, Red Lodge, and Roberts.
- Capital recovery program. The PSC agrees to consider within 6 months of its filing a single-issue rate case from U S WEST in which the company will ask the commission for an increase in residential rates of \$1.15 per month, thereby improving the company's cash flow by about \$4.4 million annually to assist in financing its Montana capital program. U S WEST will propose to offset this revenue increase by using the same depreciation schedules for the company's intrastate Montana operations as the Federal Communications Commission has currently authorized for the company's interstate operations. According to U S WEST, no earnings improvement would result from these actions. Under the proposed settlement agreement, U S WEST would have the right to withdraw the

filing at any time.

If the PSC approved the increased depreciation and accompanying residential rate increase, one-half of the revenue recovery would take effect right away. In return, U S WEST would deploy Caller ID and related services in Lewistown, Havre, Miles City, Terry and Forsyth. If U S WEST meets the service performance objectives in each quarter of the 2-year plan, then the company would be entitled to the full revenue recovery when the two years are up. In return, U S WEST would deploy Caller ID and the related services in the 20 remaining towns in its service territory. If the company fails to qualify for the second half of the recovery, the first half would remain in effect.

###